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SUBJECT: DEPUTY SECRETARY'S MEETINGS WITH OMANI SULTAN
QABOOS AND FOREIGN MINISTER BIN ALAWI

REF: MUSCAT 670

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

Summary

¶1. (C) The Deputy Secretary of State and the Ambassador met on October 19 with Omani Minister Responsible for Foreign Affairs Yusef bin Alawi to discuss bilateral relations and regional issues. Bin Alawi welcomed Oman's upgrade from Tier 3 to Tier 2 Watch List in the Trafficking in Persons (TIP) Report and promised to work with the Ambassador to demonstrate Oman's commitment to combating trafficking. He was pessimistic on the chances for progress in resolving the Israeli-Palestinian conflict as a result of increased Israeli settlement construction activity and hardened Palestinian views on borders. Bin Alawi also expressed support for Iraqi Prime Minister Maliki and contended that Iran was committed to Gulf security and wanted to work with the international community to find a face-saving way to resolve the dispute over its nuclear activities.

¶2. (C) The following day, October 20, the Deputy Secretary, accompanied by the Ambassador and Special Assistant Aaron Jost, met with Sultan Qaboos at the "Husn al-Shumukh") a palace built in the style of a traditional Omani fort in the Omani interior. The Sultan reaffirmed the importance of the U.S.-Oman Base Access Agreement in strengthening the bilateral relationship and expressed his desire to promptly implement the U.S.-Oman Free Trade Agreement. In contrast to Oman's experience in overcoming the dominance of tribalism, he pointed to Yemen's deep-seated tribal system as the major source of instability there. The Sultan hoped that the President of Pakistan would follow through on his public promises, but noted the extreme difficulty in managing Pakistan's diverse population and in overcoming the entrenched corruption among the leadership. A solution to instability in Afghanistan would require a "change in culture," which would take time. Expressing concern over the maritime smuggling of people and drugs into Oman, the Sultan pledged to work with the U.S. to combat Somali piracy. End Summary.

MEETING WITH YUSEF BIN ALAWI

¶3. (C) Welcoming the Deputy Secretary to Oman, Bin Alawi stated that although he was disappointed with the cancellation of the Secretary's visit to Muscat, he understood why the President would want her to be near him during the financial crisis, which he predicted would be overcome. He added that he had known many U.S. Secretaries of State during his long diplomatic career and that his relationships with them had always been "beneficial and fruitful," even if they didn't always share the "same

vision." Acknowledging the strong U.S.-Oman relationship, bin Alawi said that he and other Omani officials were very "straight" in their discussions with the U.S. as both countries understood the importance of a frank exchange of ideas. "We understand the reasons why you may disagree with us," he commented.

Trafficking in Persons

¶4. (C) The Deputy Secretary recalled the work in securing the original U.S.-Oman Base Access Agreement (BAA) which, he noted, had benefited both countries and was still highly valued by the U.S. He continued that he was pleased that the "irritant" that arose this summer in the bilateral relationship (i.e., Oman's Tier 3 ranking in the Department's Trafficking in Persons Report) had been resolved and that he hoped Oman would be open to candid discussions on how to further address this subject. While stating that Oman had been "very annoyed" to see an official report from a "friend" that contained incorrect information about the Sultanate, bin Alawi declared that the disagreement over TIP was "behind us" and confirmed that Oman was ready to talk about the subject. "We'll listen to anything credible," he commented. (Note: The Omani government has yet to identify specific information in the TIP report that it believes is not correct. End Note.) In a sidebar conversation with the Deputy Secretary and the Ambassador later in the visit, bin Alawi stated that comprehensive anti-trafficking legislation was in its "final stages" and would be promulgated by the end of the year.

Israeli-Palestinian Conflict

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¶5. (C) Turning to the Israeli-Palestinian conflict, the Deputy Secretary emphasized that the President and Secretary had not given up hope on making significant progress towards a comprehensive agreement before the end of the year. Bin Alawi responded that he had high expectations for progress following the Annapolis Conference in November 2007 and had no doubt that the U.S. was making "real efforts" to bridge the gap between the two sides. What Arabs want to see, however, is the U.S. applying "pressure." The Minister said that he understood how the nature of Israeli domestic politics made achieving an agreement with the Palestinians very difficult) "I've talked about this with Livni") but worried that Israel would never see another Prime Minister like Yizhak Rabin who could lead the country to peace. The fact that Israel was "building more settlements than ever" was also very concerning and could not be justified on security grounds.

¶6. (C) Bin Alawi claimed that Palestinian President Mahmoud Abbas, who had surrounded himself with the "Palestinian old guard," had much less room to maneuver than previously due to intense public pressure. As a result, he had changed his views. Whereas before Abbas recognized the need for territorial compromises, the Palestinian leader now asserted that there could be no agreement without the return of all Palestinian territory seized by Israel in 1967 -- a demand to which Israel would never agree. When the Deputy Secretary pointed out that public demands can change in private negotiations, bin Alawi replied that "once you throw something like that out, you can't take it back." The Minister also said that Abbas had told him "straight" that the demand for all seized territory was not just a negotiating tactic. While he wanted to "hope for the best" and be open-minded about a new Israeli government, bin Alawi stated that he had to remain "realistic" and look to past history of changes in Israel's leadership, which was not encouraging.

Iraq

¶17. (C) Bin Alawi noted that Bahrain's foreign minister, Sheikh Khalid bin Ahmed al-Khalifa, had recently called for, and seemed determined to push forward, the creation of a Middle East regional organization that would include Israel and Turkey in addition to Arab countries. Comparing it to the OSCE, he opined that such a group could help in resolving the Israeli-Palestinian conflict, particularly since bilateral negotiations alone between the sides were not solving the problem. Asked about the possibility of Iraq joining the Gulf Cooperation Council (GCC), bin Alawi acknowledged that al-Khalifa had suggested this as well, but stated that "the GCC has enough problems of its own without Iraq." He said that Iraq would remain an "Arab country" despite sectarian strife and related how he had told Iraqi PM Maliki during his 2007 trip to Muscat that he needed to use the media more often to emphasize that he was the leader of the entire country and represented all Iraqis. "Iraqis want to see one strong leader they can trust as head of their government," bin Alawi remarked.

¶18. (C) Oman believes that Maliki is a leader "that deserves to be supported," even if "others" in the region think otherwise. According to bin Alawi, the Shi'a generally are "liberal minded" and do not normally promote sectarianism. Although Iraq maintained an embassy in Muscat, Oman has refrained from re-opening its mission in Baghdad "due to security," bin Alawi stated. Private sector Omanis, however, continue to travel to Iraq for business. When conditions permit, Oman would "of course" re-open its embassy, which it had carefully maintained physically for this reason. Bin Alawi added that the U.S. should tell Iraq to look to the historical experience of South Korea, which benefited greatly from the continuing presence of U.S. troops, versus the collapse of South Vietnam after U.S. forces left that country.

Darfur

¶19. (C) Turning to the situation in Darfur, bin Alawi commented that the Sudanese were "a difficult people." Ending the violence would require a political solution, perhaps pressed by an outside actor, like the agreement granting autonomy to southern Sudan. Bin Alawi asserted that security could never be achieved through peacekeepers alone as each faction would continue to provoke the other. The Sudanese President would play a key role in any agreement to

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help stop the suffering in Darfur.

Iran

¶10. (C) On Iran, bin Alawi declared that Oman had the "most stable" relationship with Tehran of any GCC state due to the absence of disputed issues. He claimed that Iran was "careful to maintain stability" in the Gulf as this was directly in its self-interest. He also asserted that the Iranians were listening to the international community, although Tehran remained "very wary" of the U.S. Bin Alawi stated that Oman spoke "very frankly" to Iran's leadership on important issues, including Foreign Minister Mottaki, Saeed Jalili, Ali Larijani, and Ali Akbar Rafsanjani. Contrary to some opinions, there are "many voices" inside the Iranian regime.

¶11. (C) Bin Alawi stated that in his personal opinion, Iran was being "forthcoming" on its nuclear activities. Because the latest P5 plus 1 package of incentives offered to Iran was "vague," Iran understandably wanted "an answer on every item" before it could accept the deal. Underlying Iran's distrust in negotiations was its sincere belief that the West still had not "accepted" the Iranian revolution of 1979. Moreover, bin Alawi continued, Iran's nuclear enrichment

activities had inextricably become entwined with "the pride of the nation," meaning that Tehran could not surrender its right to enrichment without something concrete, as opposed to "guarantees" to nuclear fuel, for example, that could be taken away. The Minister said that in his estimation, Iran genuinely wanted to "move forward" and settle the nuclear issue. A compromise that allowed Iran to enrich a certain quantity of uranium to a designated level, or to conduct some separable component of the enrichment process, might be successfully sold to the Iranian public, he opined. While indirectly recognizing Iran's destabilizing behavior in the region and the antagonism it had generated among Arab leaders, bin Alawi stated that Iran continued to believe that the Arab people, versus Arab governments, were "with them."

Economic Diplomacy

¶12. (C) Looking outside the region to the east, bin Alawi said that Oman enjoyed the strongest economic ties with Japan and South Korea. India was a "solid friend," but traditionally not as "aggressive" in its investment activities in the Sultanate compared to other Asian countries. However, more Indian companies as of late were seeking to do business in Oman, perhaps because of the pending U.S.-Oman Free Trade Agreement (FTA). Bin Alawi expressed determination to resolve outstanding issues FTA shortly so as to allow for the agreement's implementation. He added that a proposed free trade agreement between the GCC and the European Union was now "very close" after 17 years of negotiations.

¶13. (C) After briefly discussing the current global credit crisis and world energy supplies, bin Alawi claimed that during the second Clinton administration, Oman had been forced by its Caspian Pipeline Consortium partners, with U.S. support, to accept a reduction in its stake in the venture from 25% to 7% without any compensation. Also, in contradiction to what a senior Omani official had recently told the Ambassador (reftel), bin Alawi stated that a deal to sell Oman's remaining stake in the pipeline to Russia had fallen through. Although both Russia and Kazakhstan wanted to buy the Omani share, neither would allow the other to acquire it.

MEETING WITH SULTAN QABOOS

¶14. (C) The Sultan welcomed the Deputy Secretary to Oman and mentioned how Vice-President and Mrs. Cheney had visited the Sultanate on several different occasions. He commented that Oman, by being located on ancient trade routes, had been fortunate in its history to develop relations with different peoples in contrast to the isolation experienced by those in the center of the Arabian Peninsula.

Base Access Agreement

¶15. (C) After the Deputy Secretary recalled the work in negotiating the 1980 U.S.-Oman Base Access Agreement, the Sultan stated that some Gulf countries had pressed Oman not

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to sign the landmark treaty. Those who opposed it had even offered to pay Oman more than \$500 million to reject the agreement during a time when the Sultanate was still developing its hydrocarbon industry. The Sultan said that he nevertheless went forward as it was important to "have friends nearby." Moreover, the countries that had been against the agreement eventually changed their minds after the outbreak of the Iran-Iraq war when they needed to put U.S. flags on their ships. "It's good to have friends," the Sultan remarked. He continued that although Oman and the

U.S. had been friends for a long time, the agreement had made them "get to know each other" better, which consequently had made the bilateral relationship even closer.

Yemen

¶16. (C) Asked by the Deputy Secretary about his views on Yemen, the Sultan replied that it was a very difficult country to control due to its tribal system. It became even more "complicated" after the unification of North and South Yemen as there were "quite different mentalities" among the once separate countries, as well as among the general Yemeni population. Oman was concerned by what was happening in Yemen as it was a direct neighbor, and hoped that the Yemeni government would continue to "manage" the situation and adhere to a single course of action. "They need to decide on and stick to a policy," stated the Sultan.

¶17. (C) The Sultan noted that although the separatist al-Houthi tribe was from the same Zaidi sect as Yemen's rulers, they had very different mindsets. Yemen's official leadership called the al-Houthi "Shi'a" while the al-Houthi wanted to re-establish an Imam as head of the country. Yemen, however, had "moved a long way from that," affirmed the Sultan. What was truly needed was a "break" from the primacy of the tribal system.

Overcoming Tribalism

¶18. (C) The Deputy Secretary noted that Oman appeared to have moved away from the dominance of tribes to successfully establish a national identity. The Sultan agreed, stating that Oman had a "good base" from which to evolve beyond tribalism and described the development of the Omani army from one centered on tribes to a truly national force. He maintained that while "people will keep their other identities," it is essential that they have equal rights if they are to see themselves foremost as national citizens. The Sultan said he hated the word "minorities," as this created a division among citizens, and recalled that he gave a National Day speech in 1972 in which he declared that all Omani citizens are equal. Even those opposed to this idea were afraid to disagree after that, the Sultan remarked.

¶19. (C) The Sultan stated that he thought it was important not to "force" individuals and families to change, but to provide them with opportunities for development. This approach, he asserted, prevented violent opposition. Accordingly, when he assumed power, he had not required girls to attend school, but made this decision a family responsibility while building schools to accommodate all potential students. Within two or three years, nearly all Omani girls were in school and they now make up 50% of primary school enrollment. The Sultan then described how Omani women had made major advances in education, the workplace, government, and military and police service.

Free Trade Agreement

¶20. (C) The Deputy Secretary expressed the U.S. desire to promptly complete implementation of the U.S.-Oman FTA and asked the Sultan to meet with the U.S. Trade Representative (USTR), Ambassador Susan Schwab, when she visited Oman in a few days. The Sultan replied that he would "certainly" meet with the USTR and said he was also very keen to see the FTA enter into force. (Note: The Sultan met with Ambassador Schwab on September 25. End Note.) He further noted that he was working closely with Oman's Minister of Commerce and Industry towards this end. The Sultan then explained how economic and social ties between the Sultanate and the U.S. allowed the bilateral relationship to "filter down" to the Omani people.

Tourism

121. (C) Regarding tourism, the Sultan shared that he wanted

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to encourage tourists to visit Oman. He only wanted "good" (i.e., high end) tourism, however, rather than the type of tourists that used to descend upon Spain. In promoting tourism, Oman was specifically looking for investments that would create jobs -- generating employment is "our main concern all the time," he commented. The Sultan opined that Oman's population growth rate was at a "good and natural" level due to the government's educational efforts.

Pakistan/Afghanistan

122. (C) Asked about Pakistan, the Sultan replied that he followed the situation there closely. He had met both Asif Ali Zardari and his late wife, Benazir Bhutto, when they visited Oman, but did not know the new Pakistani President well. He hoped that Zardari, whom he deemed "quite a character," would have the courage to do what he pledged to do. Pakistan's complex mixture of people was "in some ways good" in that it helped ensure that no one group had a monopoly on power, but "managing" all the different segments of the population was very difficult. Pakistani leaders, the Sultan observed, spend most of their time focusing on "how to make money for themselves," but this was unfortunately common in the Indian sub-continent. The loyalty of the Pakistani armed forces would be critical for Zardari, he noted.

123. (C) On Afghanistan, the Sultan described the need of the people there to "break out" of their isolation. The "buying" of the tribes with bribes was only a temporary solution to violence as their allegiance will shift when a better offer comes along or when grudges arise. The Sultan repeatedly stressed the importance of gradually changing the "culture" in Afghanistan and of having responsible and upstanding leaders to guide the Afghani people. As in Pakistan, the loyalty of the military to the government, rather than local leaders, was imperative.

Maritime Security

124. (C) Given that both Afghanistan and Pakistan were relatively close to Oman, the Sultan stated that Oman "spent time trying to keep the trouble there from coming here." In addition, the Sultanate also had to combat smuggling, including the transport of illegal migrants and drugs like hashish, that originated in the two countries. The Sultan had accordingly ordered the Omani navy to increase its size; 57 fast boats have been ordered) 25 for the navy and the remainder for the police coast guard. Oman was also in the process of purchasing larger vessels to operate on the high seas.

125. (C) With respect to piracy along the Somali coast, the Sultan said the pirates had now acquired a "taste" of the money they could make by hijacking ships. Moreover, the pirates could also extort money by creating a protection racket for ships transiting the area. The Sultan feared that the piracy was becoming an enduring phenomenon and pledged to work closely with the U.S. on ways to combat it.

126. (U) The Deputy Secretary's party cleared on this cable.
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